

## REPORT OF THE COMMITTEE ON AUDIT

July 31, 2013

The Honorable,  
The Board of Commissioners of Cook County

### SECTION 1

#### ATTENDANCE

Present: Chairman Daley, Vice Chairman Goslin, Commissioners Butler, Gorman, and Schneider (5)

Absent: Commissioners Gainer and Reyes (2)

Also Present: Commissioners Sims, Silvestri and Steele; Ivan Samstein, Chief Financial Officer; Shelly A. Banks, County Auditor

Court  
Reporter: Anthony W. Lisanti, C.S.R.

Chairman Daley asked the Secretary to the Board to call upon the registered public speaker, in accordance with Cook County Code, Sec. 2-107(dd):

1. George Blakemore                      Concerned Citizen

Ladies and Gentlemen:

Your Committee on Audit of the Board of Commissioners of Cook County met pursuant to notice on Wednesday, July 31, 2013 at the hour of 9:00 AM in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Your Committee has considered the following items and upon adoption of this report, the recommendations are as follows:

324287      COMPREHENSIVE FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDED NOVEMBER 30, 2012. Transmitting a Communication, dated June 17, 2013 from Ivan Samstein, Chief Financial Officer, Bureau of Finance and John Schick, Interim County Comptroller:

submitting herewith a copy of Cook County's Comprehensive Financial Report (CAFR) for the Fiscal Year ended November 30, 2012, prepared by the Cook County Comptroller and audited by McGladrey LLP. Respectively request that the report be referred to the Cook County Board's Audit Committee for further consideration.

**\* Referred to the Audit Committee on July 17, 2013.**

**AUDIT COMMITTEE REPORT**

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**Commissioner Butler, seconded by Commissioner Schneider, moved to Receive and File Communication No. 324287. The motion carried.**

324288 BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED NOVEMBER 30, 2012. Transmitting a Communication, dated June 17, 2013 from Ivan Samstein, Chief Financial Officer, Bureau of Finance and John Schick, Interim County Comptroller:

submitting the Cook County Basic Financial Statements (with reference to Governmental Auditing Standards) for the Fiscal Year ended November 30, 2012.

**\* Referred to the Audit Committee on July 17, 2013.**

**Commissioner Butler, seconded by Commissioner Schneider, moved to Receive and File Communication No. 324288. The motion carried.**

324289 MANAGEMENT LETTER FOR FISCAL YEAR ENDED NOVEMBER 30, 2012. Transmitting a Communication, dated June 17, 2013 from Ivan Samstein, Chief Financial Officer, Bureau of Finance and John Schick, Interim County Comptroller:

submitting the Cook County Management Letter for Fiscal Year ended November 30, 2012.

**\* Referred to the Audit Committee on July 17, 2013.**

**Commissioner Butler, seconded by Commissioner Schneider, moved to Receive and File Communication No. 324289. The motion carried.**

324290 HEALTH AND HOSPITALS SYSTEM OF ILLINOIS FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED NOVEMBER 30, 2012. Transmitting a Communication, dated June 17, 2013 from Ivan Samstein, Chief Financial Officer, Bureau of Finance and John Schick, Interim County Comptroller:

submitting the Cook County Health and Hospitals System of Illinois Financial Statements for Fiscal Year ended November 30, 2012.

**\* Referred to the Audit Committee on July 17, 2013.**

**Commissioner Butler, seconded by Commissioner Schneider, moved to Receive and File Communication No. 324290. The motion carried.**

324291 HEALTH AND HOSPITALS SYSTEM OF ILLINOIS MANAGEMENT LETTER FOR FISCAL YEAR ENDED NOVEMBER 30, 2012. Transmitting a Communication, dated June 17, 2013 from Ivan Samstein, Chief Financial Officer, Bureau of Finance and John Schick, Interim County Comptroller:

submitting the Cook County Health and Hospitals System of Illinois Management Letter for Fiscal Year ended November 30, 2012.

**\* Referred to the Audit Committee on July 17, 2013.**

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Communication Number 324293	Recommended for Receiving and Filing

AUDIT COMMITTEE REPORT

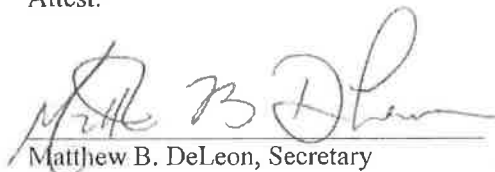
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Respectfully submitted,  
Committee on Audit

  
John P. Daley, Chairman

Attest:

  
Matthew B. DeLeon, Secretary

\*The transcript for this meeting is available in the Office of the Secretary to the Board, 118 North Clark Street, Room 436, Chicago, IL 60602.

\*A video recording of this meeting is available on the Office of the Secretary to the Board's web site on the Video Page at <http://blog.cookcountyil.gov/secretarytotheboard/county-board-proceedings/county-board-video-and-audio/>

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**JOHN P. DALEY**  
Chairman  
Committee on Finance

**Commissioner – 11th District  
Cook County Board of Commissioners**

July 31, 2013

Mr. Ivan Samstein  
Chief Financial Officer  
118 N. Clark St.  
Chicago, IL 60602

Dear Mr. Samstein:

Please provide a written response to be included in the published record of the Audit Committee's July 31, 2013 meeting regarding the ten (10) findings and recommendations raised by the Independent Auditors Report to Management, and the CAFR for 2012. We request that you present your analysis in the form of a chart containing the following three points:

1. A summary of corrective action taken to date on each finding, including an update (if any) of the information contained in the Management Response to the Auditor's recommendation
2. An affirmative statement of completion for each finding whereby compliance with the recommendation(s) has been attained
3. A target timeframe for completion of implementation of any recommendations whereby compliance remains pending

Thank you for your attention to this inquiry.

Sincerely,

A handwritten signature in dark ink, appearing to read "John P. Daley", is written over a light gray horizontal line.

Chairman John P. Daley  
Audit Committee

JPD/bh

Cc: Shelly Banks, Cook County Auditor



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**TONI PRECKWINKLE**

PRESIDENT

**Cook County Board  
of Commissioners**

EARLEAN COLLINS

1st District

ROBERT STEELE

2nd District

JERRY BUTLER

3rd District

STANLEY MOORE

4th District

DEBORAH SIMS

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OFFICE OF THE COMPTROLLER

**LAWRENCE WILSON**

INTERIM COMPTROLLER

118 North Clark St. Room 500 • Chicago, Illinois 60602 • (312) 603-5601

July 30, 2013

Cook County Board of Commissioners

Audit Committee

John Daley, Chairman

118 N. Clark St.

Chicago, IL 60602

Dear Chairman Daley,

Included in this packet, for your consideration, are McGladrey LLP's Audit Committee Communications for the fiscal year ended November 30, 2012. Also enclosed is our FY 2012 Management Letter Matrix that summarizes each finding, identifies FY 2011 findings that were not repeated, and indicates the planned date of correcting findings that require long-term approach.

Please feel free to contact me with any questions or concerns.

Regards,

Lawrence Wilson

Interim, Comptroller

cc: Honorable Toni Preckwinkle, President Cook County Board of Commissioners  
Honorable Cook County Board of Commissioners  
Ivan Samstein, Chief Financial Officer

# Cook County

## Audit Committee Communications

Fiscal Year Ended November 30, 2012

McGladrey LLP

July 30, 2013



This report is intended solely for the information and use of management and the Audit Committee of Cook County and is not intended to be and should not be used by anyone other than these specified parties.

# Service Team Introductions and Roles

Firm	Engagement Leaders	Role
McGladrey LLP	Linda Abernethy Pat Hagan	CAFR (Primary Auditor) CCHHS
Washington, Pittman & McKeever	Les McKeever Donald Croswell	Single Audit of Federal Funds
Prado and Renteria	Hilda Renteria	Clerk of the Circuit Court
EC Ortiz	Ed Ortiz	CAFR support
Benford Brown & Associates	Tim Watson	IL DHS Reports

**Note:** MBW/WBE participation goal of 35% met



McGladrey

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# Audit Results and Focus Areas

## Audit Results

- All financial statement audit reports contained unqualified opinions.
- Audit Reports issued by May 31, for second straight year

### County Wide

- Cash and Investments
- Revenues (property taxes and fees)
- Payroll expenditures
- Grant activity
- Self-insurance activity
- Debt transactions
- Capital asset transactions
- Information Technology

(JD Edwards at County, Lawson and EPIC at CCHHS)

### CCHSS

- Patient Accounts Receivable
- Contractual Allowance and Bad Debt Reserves
- Revenue Cycle
- Third Party Reimbursement



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# Auditor Communications

## Communications

- Audit adjustments and uncorrected misstatements
- No disagreements with management
- No consultations with other accountants
- No major issues were discussed with management prior to our retention

**Note:** We received full cooperation from management & staff at the County, Fee Offices and CCHSS.

## Internal Control Recommendations

- Financial Accounting and Reporting
- Accounting for Fixed Assets
- Accounts Payable
- Bank Reconciliations
- Grant Accounting
- Public Guardian
- Control over Journal Entries

**Note:** Management responses have been received



**McGladrey**

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FY 2012 CAFR

FY 12 Findings

Finding	Description	Recurring?	Status as of 7.29.13	Plan to Complete
2012 - 1	Financial Accounting and Reporting	Yes	<ul style="list-style-type: none"> <li>*Need an ERP System and county-wide uniformity for financial accounting and reporting.</li> <li>*Hired a Comptroller In July 2013.</li> <li>*Director of Financial Reporting to start on 8/12/13.</li> <li>*Need to hire additional trained / experienced accountants.</li> <li>*Need to Close FYE GL by early February of subsequent FY.</li> </ul>	FY 16
2012 - 2	Fixed / Capital Assets Accounting	Yes	<ul style="list-style-type: none"> <li>*Need an ERP System and county-wide uniformity to accurately account for capital assets.</li> <li>* In the meantime , need to complete the tracking database / repository in JD Edwards to record and report all Capital asset additions and deletions and construction in progress items. We are in communication with BOT regarding this matter.</li> <li>*Need to Close FYE GL by early February of subsequent FY.</li> </ul>	FY 16
2012 - 3	Accounts Payable	No	<ul style="list-style-type: none"> <li>*Need an ERP System and county-wide uniformity to ensure the accuracy of accounts payable / other liability amounts.</li> <li>*Need to show purpose and have the proper support for year end reserves / estimates. We will work on this matter with Budget and CFO Offices.</li> <li>*Need to Close FYE GL by early February of subsequent FY.</li> </ul>	FY 16
2012 - 4	Journal Entries / Inadequate Controls	Yes	<ul style="list-style-type: none"> <li>*Need to work with BOT to explore the possibility of restricting the system from allowing the same person to prepare and approve the same journal entries. We are in communication with BOT regarding this matter.</li> <li>*Journal entries will be reviewed by a supervisor who is different from the preparer of the entry and the supporting documentation will be maintained by the appropriate staff in the Comptroller's office.</li> </ul>	FY 14
2012 - 5	Bank Reconciliations	Yes	<ul style="list-style-type: none"> <li>*Need an ERP system to assist with performing and resolving issues for bank reconciliations.</li> <li>*Need to hire additional accountants to train and assist with the reconciliation process.</li> <li>*Assigned a staff resource from the County CFO's office to manage / supervise the reconciliation.</li> <li>*Need to Close FYE GL by early February of subsequent FY.</li> </ul>	FY 14

FY 2012 CAFR

FY 12 Findings

2012 - 6	Agency Funds - Public Guardian	No	<p>*The Public Guardian needs to generate system reports that indicate assets by individual and reconcile them on a timely basis (quarterly at a minimum). Plan is to address this matter in the fall of 2013.</p> <p>*The Public Guardian needs to obtain investment statements timely (year end at a minimum) and ensure investments are reported at fair value.</p> <p>*The Public Guardian needs budgetary assistance to hire qualified financial staff / consultants to timely meet/ maintain financial reporting qualifications.</p>	FY 14
2012 - 7	Lack of Formal written policies/procedures	Yes	<b>*Need to finalize / update draft polices procedures. We continue to work on this matter.</b>	FY 14
2012 - 8	Grant Accounting	Yes	<p>*Need an ERP System and county-wide uniformity for grant accounting and reporting.</p> <p>* The grant managers of the Budget and Comptroller offices are conducting status meetings with grant holder departments.</p> <p>*Need to finalize / update comprehensive grant manual, budget close out policy and policies and procedures in place for write-offs and allowances for doubtful accounts relating to grants. We are working on this matter.</p> <p>*Need to Close FYE GL by early February of subsequent FY.</p>	FY 15
2012 - 9	Anti-fraud programs / controls	Yes	<p>* Recently hired a Risk Assessment Officer who is implementing a county-wide risk assessment program. Starting in FY 2013, planning to perform risk assessments for the departments that come under the Bureau of Finance.</p> <p>*County Auditor is conducting a risk assessment survey.</p>	FY14
2012 - 10	Information Security & Controls	Yes	<p>*Bureau of Technology (BOT) hired a Chief Information Security Officer in May 2013 to ensure the property security and controls are in place.</p> <p>*BOT instituted a quarterly review of all JD Edwards (JDE) user accounts in June 2013.</p> <p>*BOT reviewed super user accounts in June 2013 and took the necessary steps to restrict the access.</p> <p>*Need to retain evidence of all user access reviews and super user access reviews.</p> <p>*BOT is working with the Comptroller's office and the JDE technical support team to enable all existing security control features within JDE.</p>	FY 14

Bolded points indicate steps that are completed or in progress to address the finding.

Note:

The following 2011 findings did not reoccur in FY 2012:

Finding	description
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FY 2012 CAFR

FY 12 Findings

2011 - 6	Property Tax Revenue Recognition
2011 - 7	Under-accrual of property tax objection liability
2011 - 11	Vacation Accrual